

25 July 2008

Committee Secretary
House Standing Committee on Economics
Parliament House
Canberra ACT 2600
Email: economics.reps@aph.gov.au

Dear Committee Secretary,

Inquiry into competition in the banking and non-banking sectors

This is the Australian Payments Clearing Association Limited's (APCA's) submission to the House of Representatives Standing Committee on Economics' Inquiry into competition in the banking and non-banking sectors. The Committee's terms of reference are very broad. Many of the topics likely to be covered during this Inquiry are not directly relevant to the Australian payments system, which is APCA's area of expertise. However, one current area of APCA work that is relevant is its Account Switching Facilitation Package. This submission provides the Committee with information about that package.

APCA is the Australian payments industry's self-regulatory body. It is the primary vehicle in Australia for payments industry collaboration, with a mandate to improve the safety, reliability, equity, convenience and efficiency of the Australian payments system. APCA achieves this through industry self-regulation and standards; industry change management; and industry policy development and advocacy.

Account Switching Facilitation Package

Following a public consultation exercise in late 2007 and further discussions involving the Treasury, the Australian Bankers' Association, Abacus and APCA, APCA wrote to the Treasury on 7 February 2008 advising of an industry agreement to develop an Account Switching Facilitation Package. The Package's purpose is to make changing accounts more convenient for consumers, thereby promoting competition. The Package includes the following features:

- The old financial institution will provide a list of the customer's direct debit and credit arrangements over the past 13 months to the customer in order to facilitate the establishment of the arrangements for the new account.
- The new financial institution will provide the customer with information and support to help the customer make the switch. If requested by the customer, the new financial institution will assist in notifying the billing or crediting organisations of the new direct debit and direct credit arrangements.
- The service will be supported by obligations in industry codes of practice. This will include obligations in regards to timeliness and to provide information to customers on how to avoid exception fees, and to deal fairly with customers throughout the account switching process.

- APCA is also supporting the efforts of financial institutions by developing generic information and support material for customisation by financial institutions in supporting consumer account switching.
- APCA, through its Low Value Payments Industry Direction Project, will ensure that convenience of switching direct debit and credit arrangements is considered in the development of future payment system proposals.

It was also agreed that these initiatives would be implemented by November 2008, with quarterly progress reports made to Treasury.

APCA is co-ordinating the industry implementation of the Account Switching Facilitation Package. This includes the provision of the quarterly progress reports. To date, APCA has made three progress reports, which are available on both APCA's and the Reserve Bank of Australia's websites.

Please find attached a copy of the most recent progress report, made on 30 June 2008. In that report, APCA noted the expectation that the Account Switching Facilitation Package, with significant effort and widespread co-operation from financial institutions, is on track to be fully implemented by November 2008.

If you have any further questions on this matter, please contact me on 02 9221 8944 or by email on chamilton@apca.com.au. You may also contact Dr Brad Pragnell or Arun Kendall in APCA Industry Policy on 02 9221 8944.

Yours sincerely,



Chris Hamilton
CHIEF EXECUTIVE OFFICER

THIRD PROGRESS REPORT ON IMPLEMENTATION OF AN ACCOUNT SWITCHING FACILITATION PACKAGE

I. Background

1. This is the third progress report on the implementation of an Account Switching Facilitation Package (the Package) by APCA. The first preliminary report was submitted on 3 April 2008 and outlined the initial business requirements and implementation plan for the Package. The second report, which confirmed progress on implementation was continuing, was lodged on 30 April 2008.
2. This third report also addresses specific issues concerning the implementation of the package that have been raised by the RBA, following the release of the second progress report.
3. The Account Switching Focus Group (ASFG), the group tasked with implementing the Package, has continued to further refine the business requirements of the Package and to develop generic guidelines for customer use which will be available on the APCA website.

II. Overview of the Account Switching Implementation Package

4. The ABA, Abacus and APCA advised Treasury on 7 February 2008 of an industry agreement to develop an account switching facilitation package with the following features:
 - The old financial institution will provide a list of the customer's direct debit and credit arrangements over the past 13 months to the customer in order to facilitate the establishment of the arrangements for the new account;
 - The new financial institution will provide the customer with information and support to help the customer make the switch. If requested by the customer, the new FI will assist in notifying the billing or crediting organisations of the new direct debit and direct credit arrangements.

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- The service will be supported by obligations in industry codes of practice. This will include obligations in regards to timeliness and to provide information to customers on how to avoid exception fees, and to deal fairly with customers throughout the account switching process.
 - Beyond what was agreed, APCA also undertook to develop generic information and support material for customisation by FIs in supporting consumer account switching.
 - APCA, through its Low Value Payments Industry Direction Project, also agreed to ensure that convenience of switching direct debit and credit arrangements is considered in the development of future payment system proposals.
5. It was agreed that these initiatives would be implemented by November 2008, with bi-monthly progress reports made to Treasury.

III. Updated Business Requirements

6. The final version of the business requirements has been issued to BECS Participating Members and includes an industry standard customer list and “Change in Financial Institution and Account Details” form. This ensures that all FIs take a consistent approach.
7. The second RBA Progress Report referred to the need to recognise a transitional period of up to 13 months following the implementation of the Package on 1 November 2008. The RBA has requested further details on this. This issue has arisen because in order to commence on 1 November 2008, FI’s would need to provide a list of direct debit and credit arrangements going back 13 months, preceding the agreement to implement the Package. Many FI’s have not maintained all of the historical data necessary to give full effect to the retrospective effects of the Package. The effect is that in some cases, the list of direct debit and credit arrangements provided to customers will contain full

details of direct debit and credit arrangements in more recent months, with some details for earlier months missing.

8. APCA will be undertaking an audit to determine the extent of this issue. However it is assured that the objectives of the Package will not be affected by this information not being provided on the customer's list as both the old FI and the new FI will make efforts to provide the necessary information by other methods.
9. The RBA sought clarification on the situation concerning "on-us" transactions. These are regular transfers that take place fully within an FI and will not be processed through the BECS system. These regular "on-us" arrangements which do not go through the BECS system but remain wholly within an FI are expected to be identified through the collation of periodical payments.

IV. Generic Guidelines

10. An essential element of the Package is the development of a set of generic guidelines for customers wishing to switch their accounts. This provides customers with all the necessary information needed to take the steps to fully complete a switch of accounts, and promotes consistency across the industry. A first draft of the generic guidelines has been produced by the ASFG and APCA. The final version of the guidelines in plain English is scheduled to be available by the end of July 2008.

V. BECS Participating Members progress

11. BECS Participating Members are reporting their progress to APCA on a monthly basis. At this stage, of the fifty-five BECS Participating Members:
 - Fifty-one members have reported progress to APCA. These members are responsible for 99.8% of national transaction volumes (ntv);
 - APCA is in the process of contacting the remaining 4 members;
 - Thirteen BECS Participating Members (1.5% of ntv) do not offer transaction accounts to retail customers and are therefore exempt from this initiative; and

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- One BECS Participating Member (0.05% of ntv), is currently in the process of replacing its core banking systems and expects to fully meet the account switching initiative in early 2009.
 - The remaining thirty-seven members (98.45% of ntv) report satisfactory progress towards implementing the Package.

VI. DE Users

12. The RBA has enquired about what steps can be taken to ensure that DE Users (such as billing organisations) comply with the new arrangements, which would require their cooperation to action changes of accounts held by their customers. It is impractical for APCA to be able to communicate with the large number of DE Users that exist (many of whom are not APCA members). The ASFG will be considering the agreed industry approach to be made to the DE Users involved in BECS at its next meeting scheduled for mid July 2008.

VII. Communications Strategy

13. To date, the ASFG has been focusing on the operational and technical requirements for implementation of the Package, although efforts have been taken to ensure generic guidelines are in Plain English and that there will be full web support. Individual FI's will identify appropriate action as part of their normal communications strategies. Members will consider additional measures closer to the implementation date.